

From the **San Francisco Business Times**

:<http://www.bizjournals.com/sanfrancisco/print-edition/2013/06/28/grand-vision-for-mission-bay-nearly.html>

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## **S.F. Structures**

# **Grand vision for Mission Bay nearly realized**

## **But big question remains about Salesforce land**

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Construction in San Francisco's booming Mission Bay neighborhood stalled along with the economy in 2008, but the cranes are back with a vengeance, with everything from the new UCSF hospital to hundreds of new housing units under construction.

"It really is Mission Bay 2.0," said [Tiffany Bohee](#), director of San Francisco's Office of Community Investment and Infrastructure, the successor to the city's Redevelopment Agency. "We are entering a new phase. Between now and 2015, all of the market-rate rental units in Mission Bay will be built out."

As it stands, she said, more than 80 percent of all of Mission Bay's planned housing units — roughly 5,000 out of 6,000 — have either been built already or are under construction.

And that's just housing. Mission Bay is filling in with offices, and retail and other amenities are following close behind. UCSF has already built the cornerstones of a new campus where cutting-edge science is seeking cures for a variety of diseases, and large pharmaceutical companies such as **Bayer** and **Pfizer** have established offices to facilitate collaboration with UCSF labs. The biggest UCSF project of all, the **UCSF Medical Center** at Mission Bay — a \$1.5 billion, 878,000-square-foot, 289-bed complex including hospitals devoted to women, children and cancer patients — is scheduled to open in February 2015.

The biggest question mark at Mission Bay is the 14-acre parcel where **Salesforce.com** planned to build a 2 million-square-foot corporate campus. After buying several sites in 2010 for \$278 million and going through nearly all the approvals necessary to build, Salesforce changed course and took leases on existing financial district buildings, saying it was growing too rapidly.

Salesforce still owns the site, but spokesman [Andrew Schmitt](#) said in an email that "we haven't

made any updates to our plans, which are still suspended.”

“We at the mayor’s office are working to make sure it’s built out,” Bohee said, whether by Salesforce or someone else. One scenario is that another entity might buy the site and develop it in pieces, as originally planned, instead of one big campus as Salesforce once intended.

Bohee said Mission Bay “has the advantage of being first in line for office allocation,” the system under which San Francisco limits the amount of office space that can be built in a given year, to prevent market gluts. Because Mission Bay is still filling out its 303 acres, it can still accommodate more office square footage. “We still think Mission Bay is attractive for medical institutions, technology and biotech,” Bohee said.

“The reason why Mission Bay is so attractive for residential and commercial projects is that the development pathway is simple,” Bohee said. “There are relatively few hurdles compared to other neighborhoods in the blood sport of development in San Francisco.”

From a decrepit and seemingly abandoned old rail yard 15 years ago, Mission Bay has sprouted into San Francisco’s fastest-growing neighborhood.

The land was owned by Southern Pacific, which spun off the holding company Catellus to develop Mission Bay. Plans remained in limbo for years, but when UCSF began looking for space to expand in the 1990s — including options in Alameda and Brisbane — Mayor [Willie Brown](#) spearheaded an effort to get the site developed. The city gave UCSF 13 acres and Catellus gave 30 acres, and UCSF embarked on a mission to create a new center for biotechnology.

“What we conceived and are now seeing come to fruition was the opportunity to build a health science community that really looks to the future for how scientific research and health care and applications developed in the private sector can come together,” said [Keith Yamamoto](#), vice chancellor for research at UCSF and executive vice dean of the school of medicine. “There are great advantages to having those stakeholder groups in proximity to each other.”

UCSF now has seven buildings occupied at Mission Bay, including Genentech Hall, Rock Hall and Byers Hall, centers of innovation in cardiology, cancer and neurological disease research, for a total of 1.5 million square feet. In addition to the hospital, an administration building is under construction; the two projects will bring UCSF’s footprint in the area to 2.6 million square feet.

The first wave of Mission Bay planning began in the heady dot-com days of the late 1990s, with construction picking up steam in the early 2000s. The Giants’ AT&T Park rose at the northern edge of the area, and apartments and condos started showing up. Catellus built a large residential complex diagonally across the street from the ballpark, and offices now occupied by Gap’s **Old Navy** division at 550 Terry Francois Blvd. But ultimately, Catellus saw that to build momentum in the neighborhood, it needed to bring in other developers, such as Avalon Bay, **Signature Properties**, Urban Housing, Related, Bosa Development and Alexandria.

Eventually, other large developers, including **Shorenstein** and Sobrato, bought parcels in Mission Bay.

Catellus ultimately got out of the residential real estate business and sold its Mission Bay holdings to **Farallon Capital Management**, the San Francisco hedge fund founded by [Tom Steyer](#). Farallon created a new entity, FOCIL-MB, to buy the land and development rights still under Catellus' control in 2004.

[Seth Hamalian](#), managing principal of the Mission Bay Development Group, which manages the development for FOCIL-MB, said that between 2003 and 2008, more than 3,000 residential units and 1.7 million square feet of office and lab space were built.

FOCIL-MB has continued in Catellus' footsteps of selling or leasing various parcels to different developers.

Mission Bay Development is now building much of the infrastructure for the neighborhood, including roads, parks and utilities. The city is constructing a public safety building to house police and fire stations.

FOCIL-MB is also down to its last two development sites, Hamalian said: a residential complex known as Block N4P3 that's a combination of 129 affordable and market-rate units on Berry Street at the northern edge of the neighborhood, and a parcel called Block 40 at the corner of 16th and Owens streets in the southwest corner of Mission Bay, where up to 700,000 square feet of office space in multiple buildings is planned. "We're in negotiations with a buyer for Block N4P3," Hamalian said, "and we're in discussions with several tenants for Block 40. If we can identify an attractive tenant for Block 40, we intend to build that site. If someone wants to buy it, we'll sell it."